

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 FEA-02 INT-08 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 2721

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

RUDTCBKAMEMBASSY LONDON 5870

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

US MISSION OECD PARIS

US MISSION EEC BRUSSELS 388

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STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: ENERGY: NIGERIAN OIL POLICY

1. SUMMARY. THIS MESSAGE REPRESENTS EFFORT RECAPITULATE
IN ONE HANDY PLACE MAIN ELEMENTS OF NIGERIA'S OIL POLICY
THAT WE HAVE ALREADY REPORTED ELSEWHERE END SUMMARY.

2. PRODUCTION. FMG HAS ANNOUNCED THAT IT WOULD NOT INCREASE
"SCHEDULED" PRODUCTION IN ORDER TO BENEFIT FROM ARAB CUTBACKS,
AND HAS NOT SOUGHT TO DO SO. PRODUCTION DECISIONS ESSENTIALLY
COMPANY DECISION, HOWEVER, AND IT IS DOUBTFUL IF FMG ACTION
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COULD BRING ABOUT SIGNIFICANT INCREASE IN SHORT RUN.

RATE OF INCREASE HAS BEEN ABOUT 1 PERCENT PER MONTH BUT PRIMARILY THROUGH COINCIDENT INTRODUCTION OF ADDITIONAL FACILITIES, PRODUCTION NOW ABOUT 7 PERCENT ABOVE MAXIMUM ACHIEVED PRIOR ARAB CUTBACK, AND APPROACHING 2.3 MILLION B/D. FOR 1974, AVERAGE EXPECTED TO BE NEAR 2.5 MILLION B/D. NIGERIA HAS SO FAR SHOWN NO CONCERN TO LIMIT PRODUCTION FOR REASONS OF CONSERVATION.

3. SHIPMENTS. FMG ALLOWS SHIPMENTS TO ALL DESTINATIONS WITH EXCEPTION RHODESIA, SOUTH AFRICA, PORTUGUESE TERRITORIES, BUT SHIPMENTS ARE IN HANDS OF PRODUCING COMPANIES AND SO FAR AS WE KNOW FMG MAKES NO EFFORT POLICE DESTINATIONS.

4. PRICES. NIGERIA HAS KEPT IN STEP WITH BUT FOLLOWED OPEC INCREASES IN POSTED PRICES. CURRENT POSTING, EFFECTIVE JANUARY 1, IS \$14.691 AND AT THIS LEVEL GOVERNMENT TAX AND ROYALTY TAKE IS ABOUT \$8.64 PER BARREL. INSPITE OF BLANDISMENTS AND URGINGS FROM ITS AFRICAN NEIGHBORS NIGERIAA HAS SO FAR RESISTED CONCEPT OF TWO TIER PRICE SYSTEM FOR BENEFIT OF DEVELOPING COUNTRIES.

5. REVENUE. WE ESTIMATE THAT AT CURRENT LEVEL POSTED PRICES, GOVERNMENT REVENUE FROM ROYALTIES AND TAXES SHOULD APPROXIMATE \$7.5 BILLION IN CALENDAR 1974 AS AGAINST \$2.0 BILLION IN 1973. FMG HAS GIVEN NO INDICATION OF ITS PLANS FOR DISPOSAL OF THIS ADDITIONAL REVENUE.

6. NNOC SALES. ALMOST ALL NIGERIAN OIL IS RETAINED AND SOLD BY PRODUCING COMPANIES BUT SINCE EARLY 1973 NIGERIAN NATIONAL OIL CORPORATION HAS BEEN ENGAGED IN LONG DRAWN OUT NEGOTIATIONS FOR DIRECT SALE OF ROYALTY AND PARTICIPATION OIL USUALLY ESTIMATED AT ABOUT 300,000 B/D. IN THESE NEGOTIATIONS NNOC HAS FOLLOWED DECLARED POLICY OF DEALING DIRECTLY WITH END USERS AND HAS BARRTTNEDXHARPLY TO OBTAIN MAXIMUM PRICE. IN LATE DECEMBER, JAPANESE AND US BUYERS WERE APPARENTLY WILLING TO CONTRACT AT PRICES UP TO \$22.60 PER BARREL, BUT SO FAR AS WE KNOW THERE WERE NO CONTRACTS SIGNED (EXCEPT FOR REPORTED CONTRACT WITH GHANA) AND SAME BUYERS ARE CURRENTLY REPORTED TO BE STICKING AT LIMITED OFFICIAL USE

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ABOUT \$15 TO \$16.00 PER BARREL. SO FAR AS WE AWARE, NNOC STILL HAS NO FIRM CONTRACTS EXCEPT FOR 3 AGREEMENTS REACHED BACK IN 1973 FOR DELIVERIES OF ABOUT 10,000 B/D EACH TO TENNECO, GELSENBERG AND GOVERNMENT OF GHANA.

7. NNOC AVAILABILITIES. AT WEIGHTED AVERAGE OF NEARLY 12 PERCENT, ROYALTY OIL COULD YIELD FMG SOMETHING OVER

250,000 B/D.

DO NOT HAVE DETAILS OF PARTICIPATION
AGREEMENTS ALREADY SIGNED WITH SHELL-BP, PHILLIPS-AGIP
AND SAFRAP BUT CURRENT AVAILABILITIES FROM THESE 3 AGREEMENTS ARE
BELIEVED TO BE LESS THAN 75,000 B/D. NIGERPV DOES
NOT YET HAVE PARTICIPATION AGREEMENTS WITH REMAINING
3 PRODUCERS, GULF, MOBIL, TEXACO-CHEVRON.

8. PARTICIPATION, NIGERIA SOUGHT AND OBTAINED INITIAL
EQUITY HOLDING OF 33-1/3 PERCENT IN PHILLIPS/AGIP,
35 PERCENT IN PFRAP, AND MOST RECENTLY (IN MID-1973)
IT OBTAINED 35 PERCENT OF SHELL-BP.
FMLU HAS BEEN NEGOTIATING WITH GULF AND MOBIL (BUT NOT
YET TEXACO-CHEVRON) ON OFF AGAIN-ON AGAIN BASIS SINCE
MID 1973, AND INSISTING ON INITIAL HOLDING OF 40 PERCENT.
THESE NEGOTIATIONS HAVE NOT BEEN ACTIVELY PURSUED FOR
LAST 3 MONTHS OR MORE.

9. GOVERNMENT TO GOVERNMENT DEALS. (SEE SEPTTEL SAME SUBJECT)
FRANCE AND ITALY ARE KNOWN TO HAVE PUT OUT FEELERS FOR
CRUDE OIL/INDUSTRIAL EQUIPMENT DEALS AND UK AND JAPAN MAY
HAVE DONE SO. NIGERIAN REACTION REPORTEDLY CAUTIOUS AND
EVEN SKEPTICAL ABOUT PRACTICAL BENEFITS THESE MIGHT BRING
TO NIGERIA . SO FAR AS WE KNOW, THERE HAVE BEEN NO DEALS
MADE AND NONE UNDER CONSIDERATION, BUT FRANCE AND ITALY
(READ ENI) SEEM LIKELY TO PURSUE SUBJECT.

19. ATTITUDE TOWARD WASHINGTON ENERGY CONFERENCE (SEE
ALSO LAGOS 1052.). FMG HAS SO FAR ADOPTED NONCOMMITTAL
ATTITUDE APPARENTLY PREFERRING TO AWAIT OUTCOME OF CONFERENCE,
AND ALSO RELYING ON US ASSURANCES THAT ADDITIONAL
CONSULTATIONS WOULD BE BRAODENED TO INCLUDE LDC CONSUMERS
AND PRODUCERS.

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11. GENERAL. NIGERIA HAS BEEN SATISFIED SO FAR TO LEAVE
LEADERSHIP ROLE TO MIDDLE EAST PRODUCERS AND TO MOVE IN
STEP WITH BUT AFTER OPEC . ITS MAIN OBJECTIVE HAS BEEN TO
MAXIMUM OIL REVENUES. NIGERIA HAS NOT HESITATED
HOWEVER TO ACT ON ITS OWN IN ITS OWN INTERESTS, E.G.,
INITIAL PARTICIPATION AT 35 PERCENT IN CONTRAST PERSIAN
GULF 25 PERCENT; BUT IN OVERALL IT HAS ALSO BEEN
CONCERNED TO MAINTAIN RESPONSIBLE, RESONABLE POSTURE
IN RELATIONSHIPS WITH
COMPANIES AND CONSUMERS.
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